



Welcome to our seminar on how health can affect your wealth in retirement. We're glad that you could join us here today.

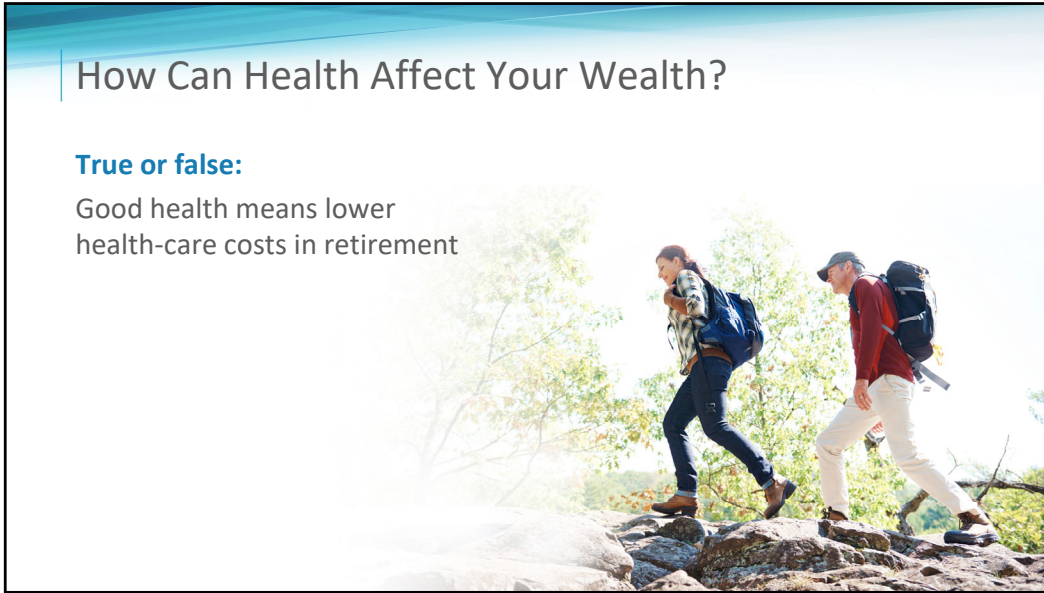
Before we get started, I'd like to introduce myself and my company.

*[Note to presenter: Give a brief personal background, then talk about your organization and give its location. If appropriate, introduce other members of your organization who are in the room and discuss any housekeeping issues.]*

## How Can Health Affect Your Wealth?

### True or false:

Good health means lower health-care costs in retirement



Now let's get to the reason we're all here today — to discuss how your health can affect your wealth in retirement.

Let's start with a few questions to help get us in gear.

By a show of hands, who believes the following statement is true or false:

<CLICK> Good health means lower health-care costs in retirement.

True?

False?

If you said “false,” you're likely right. Good health generally does mean fewer trips to the doctor and fewer treatments and medications to pay for in your early retirement years — but it can also lead to a much longer retirement, which results in additional years to fund all your living expenses, including health care.

So good health does not necessarily mean lower health-care costs in retirement.

## How Can Health Affect Your Wealth?

### True or false:

Medicare will cover all your health-care expenses in retirement



OK, let's try another one. True or false:

<CLICK> Medicare will cover all your health-care expenses in retirement.

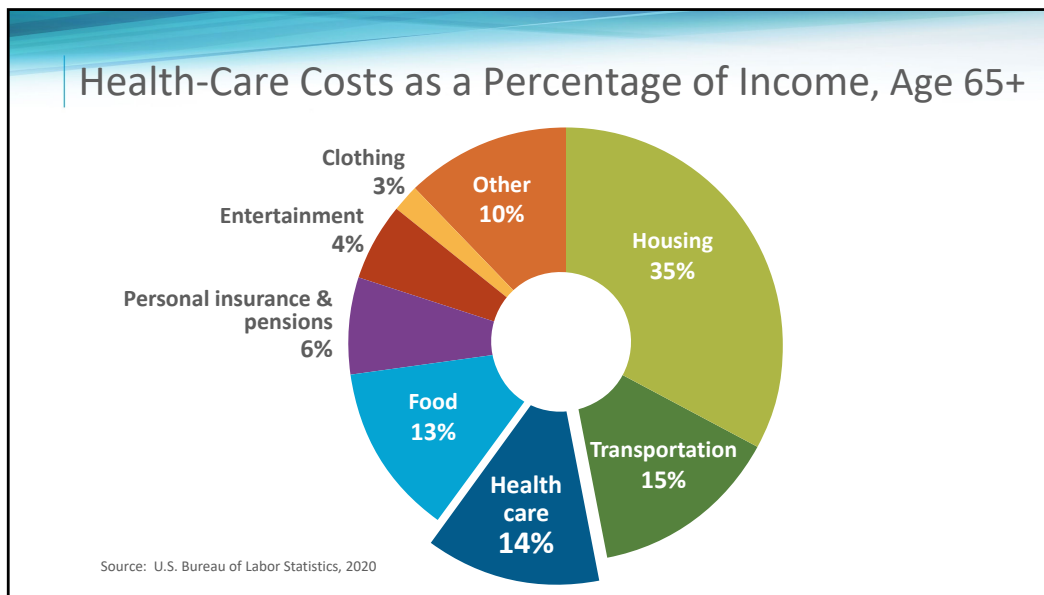
By a show of hands,

True?

False?

Unfortunately, this is false as well. Although Medicare will likely be your primary resource to help pay for health care, you will still have to pay for premiums, copays, and deductibles, as well as such items as eyeglasses, hearing aids, and dental care, which Medicare does not cover.

We'll take a closer look at Medicare later in this presentation.



Consider this pie chart, which shows the percentage of spending by consumers age 65 and older relative to after-tax income. The data comes from the 2020 Survey of Consumer Expenditures published by the Bureau of Labor Statistics.

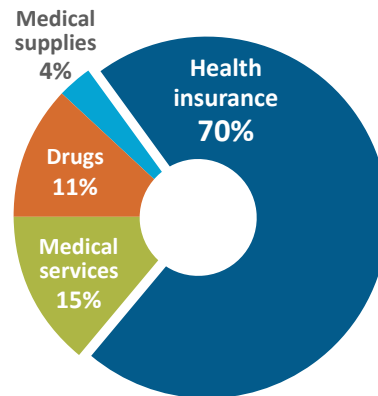
Health care is the third-highest expense category behind housing and transportation.

Source: U.S. Bureau of Labor Statistics, 2020 (2019 data)

## Average Health-Care Expenditures, Age 65+

Total expenditures: \$6,833

- Health insurance: \$4,748
- Medical services: \$1,054
- Drugs: \$737
- Medical supplies: \$293



Source: U.S. Bureau of Labor Statistics, 2020 (2019 data)

This slide breaks down that 14 percent health-care segment even further. According to the BLS survey, Americans age 65 and older spent an average of \$6,833 on health-care expenses in 2019. The vast majority of that figure went to paying costs associated with health insurance (including, presumably, Medicare).

Source: U.S. Bureau of Labor Statistics, 2020 (2019 data)

## How Can Health Affect Your Wealth?

Have you tried to calculate how much you might need to cover your health-care expenses in retirement?

- Approximately 40% of those age 45 and older have tried to figure it out

Source: Employee Benefit Research Institute, 2020



Next question: How many people do you think have tried to calculate how much they might need in total to cover health-care costs?

Raise your hands if you have done so.

If you haven't, don't worry — you're not alone.

<CLICK> Only about 40 percent of people age 45 and older have tried to figure out how much they might need to cover out-of-pocket health-care costs in retirement.

Source: Employee Benefit Research Institute, 2020

## How Much Will You Spend on Health Care?



Even if you haven't yet performed the calculation, I'm going to ask you to take a guess.

How much do you think you'll spend on health care, out of your own pocket, over the course of your retirement? By a show of hands:

- More than \$50,000?
- More than \$150,000?
- More than \$250,000?

## Estimated Costs of Health Care During Retirement

- For a 65-year-old married couple, in fairly good health, receiving Medicare and Medigap in 2020, total out-of-pocket costs could reach **\$270,000**

Source: Employee Benefit Research Institute, 2020

If you answered more than \$250,000, you're probably in the right ballpark, depending on your health and marital status.

According to the Employee Benefit Research Institute, a 65-year-old married couple in fairly good health who were receiving comprehensive Medicare and Medigap benefits in 2020 could need about \$270,000 to have a good chance of covering just their premiums and prescription drug costs in retirement.

In your workbook on page 4, you'll find a table with estimates of how much you might need based on your current age, an assumed rate of return during retirement (which cannot be guaranteed), and a retirement age of 65. Keep in mind that these examples are based on a number of hypothetical assumptions and are used for illustrative purposes only.

And note that these estimates are for total health-care costs spread across the entirety of your retirement. So if you believe there's no way you can accumulate the amounts prior to retirement, don't panic. That's why we're here today.

The key point is that the health-related expenses you will face could consume a sizable chunk of both your income and assets in retirement.

Source: Employee Benefit Research Institute, 2020



## Today's Goal

- **Examine Five Factors That Can Affect Health-Care Costs**
- Review the Primary Resources Available
- Identify Steps You Can Take to Manage Out-of-Pocket Costs

So our goal today is threefold:

- To examine five factors that can affect health-care costs in retirement
- To review the primary resources available for managing those costs
- And to identify steps you can take to help manage out-of-pocket costs

Let's start with the first one: identifying some of the factors that can affect your health-care costs in retirement.